



Governor Douglas A. Ducey



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Arizona Department of Homeland Security 2016 HSGP, UASI, and OPSG Financial Grants Management Presentation

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SAA Introduction

- As a part of the overall responsibility of managing homeland security grants, the department is responsible for following federal grant guidance and Office of Management and Budget rules and regulations; 2 C.F.R. 200: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- This presentation will provide stakeholders with an overview of:
 - 2 C.F.R. 200
 - AZDOHS and Stakeholder responsibilities
 - Reimbursement processes

Background on 2 CFR 200: Uniform Guidance

- Streamlines all other circulars into one singular document
- Meant to eliminate duplicative language, make compliance less burdensome, and reduce audit findings
- Increases the dollar threshold for when a non-federal entity must conduct an audit from \$500,000 to \$750,000 (in federal expenses)
- Consists of six subparts (A-F) and Eleven appendices
 - We will focus on Subparts C (pre-award requirements), D (post award requirements), E (cost principles), and F (audit)

2 CFR 200: Subpart C, Pre-Federal Award Requirements

- **Subpart C: Pre-Federal Award Requirements and Contents of Federal Awards**
 - §200.205: Federal awarding agency review of risk posed by applicants
 - AZDOHS will not make awards to entities who are disqualified from receiving federal awards
 - AZDOHS will conduct an evaluation to determine risk posed by stakeholders in managing federal awards
 - Past audits
 - Site visits
 - Past performance
 - Review of Standard Data Collection Form and Financial Systems Survey (from application)
 - AZDOHS may impose specific conditions on stakeholders (per §200.207), including but not limited to:
 - Increased monitoring
 - Delay of reimbursements until specific matters are cleared
 - Submission of supporting documentation not already required

2 CFR 200: Subpart D, Post-Federal Award Requirements

- **Subpart D: Post-Federal Award Requirements Standards for Financial and Program Management**
 - **§200.301 Performance measurement**
 - “The Federal awarding agency must require the recipient to relate financial data to performance accomplishments of the Federal award” (pg. 78624)
 - “Recipients must also provide cost information to demonstrate cost effective practices.” (pg. 78624)
 - The AZDOHS may require additional program and financial data as necessary
 - **§200.302: Financial management**
 - (a): Financial management systems must be able to trace the funds “to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.” (pg. 78624)
 - (b): The financial management system must provide for identification of all Federal awards and expenditures in its accounts.

2 CFR 200: Subpart D, Post-Federal Award Requirements Cont.

- **§200.303: Internal controls**
 - Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the award in compliance with statutes, regulations, and terms and conditions of the award
- **§200.308: Revision of budget and program plans**
 - Stakeholders are required to report deviations from budget or project scope or objective, and request prior approvals from AZDOHS for budget and program plan revisions
 - The AZDOHS will restrict the transfer of funds among direct cost (budget) categories in which the cumulative amount of such transfers exceeds or is expected to exceed 10% or \$25,000 (which ever is lower) of the total approved budget (this will be discussed in more detail later in the presentation)
 - Stakeholders must inform the AZDOHS when there are changes in key personnel specified in the application

2 CFR 200: Subpart D, Post-Federal Award Requirements Cont.

- **Procurement Standards:**
 - **§200.317: Procurements by States**
 - Use the same standards as required by State procurement rules (“a State must follow the same policies and procedures it uses for procurements from its non-Federal funds.”) (pg. 78631)
 - **§200.318: General procurement standards**
 - (a): “The non-Federal entity must use its own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section” (pg. 78632)
 - **§200.320: Methods of procurement to be followed**
 - There are six methods that can be used in procurement
 - One of the six must be followed
 - Single source procurements (method f) will be followed very closely by the AZDOHS
 - The best advice is to follow (f)(1)-(f)(4) and KEEP DOCUMENTATION

2 CFR 200: Subpart E, Cost Principles

- **Subpart E – Cost Principles**

- (d) “the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.” (pg. 78639)
- **Basic considerations (§200.402-§200.411)**
 - §200.403 Factors affecting allowability of costs. A few are:
 - Must be necessary, reasonable and allocable to the award
 - Be consistent with policies and procedures that apply uniformly to both Federally-financed and other activities (in other words, “would my organization spend its own funds in this manner?”)
 - Be adequately documented
- **§200.420-§200.475: General Provisions for Selected Items of Cost**
 - Provides determination of allow-ability on 55 specific types of costs

2 CFR 200: Subpart F, Audit Requirements

- **Requirements can be found between §200.500-§200.521**
- **§200.501: Audit requirements**
 - (a): “A non-Federal entity that expends \$750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have a single or program-specific audit conducted...” (pg. 78662)
- **§200.521: Management decisions**
 - §200.66: Management decision means the evaluation of findings and corrective actions within an audit and the written decision to the auditee as to what corrective actions are necessary
 - The AZDOHS will issue letters to agencies who have findings in their single audits for awards which we provide

Indirect Costs

- Stakeholders are able to recover some of their costs associated with the management of projects in the form of indirect costs (§200.331(a)(4))
 - Indirect costs are those costs which have been incurred for common or joint objectives within the organization but which cannot readily be identified with a particular cost objective
- If a stakeholder has a federally approved indirect cost rate, then it must be accepted; if a stakeholder does not have a Federally approved indirect cost rate, then a negotiated rate or a de minimis (or minimal) rate of 10% of Modified Total Direct Costs (MTDC) may be offered
 - Modified Total Direct Costs (§200.68) are “all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first \$25,000 of each subaward or subcontract.” (pg. 78615) MTDCs exclude equipment and capital expenditures, and any amount greater than \$25,000

Indirect Costs Cont.

- **Appendix VII – State and Local Governments**
 - If your agency is applying for a grant and wishes to recover indirect costs, read these appendices carefully and submit your application accordingly
 - When AZDOHS reviews applications, we will review the indirect cost proposal and justification
 - The inclusion of indirect costs in a subaward agreement are not a guarantee or a foregone conclusion – they must be justified, must be documented and must be tied to direct costs (and if your agency has a Federally approved rate, tied to the “base” of the rate)
 - If your agency has a federally approved rate, send a copy of the agreement in along with the application

Indirect Costs Cont.

- If your agency does not have a federally approved indirect cost rate but wish to recover such costs:
 - The application must be prepared in a way that the budget narrative outlines direct expenses anticipated to be incurred in order to complete the project
 - Such expenses should include; staff member positions, numbers of hours, salary and fringe benefits, supplies, materials and travel (modified total direct costs)
- ***Indirect costs are not in addition to the direct expenses applied for in the application, they are deducted from the direct expenses.***
 - Therefore stakeholders will be responsible to cover any differences between the actual cost of direct expenditures and the amount that is awarded for those direct expenditures.

Indirect Cost Example

- **Example of an application that a stakeholder which does not have a federally approved indirect cost rate might submit:**
 - The application is for \$60,000 (\$50,000 for a communications tower and \$10,000 for radios)
 - The applicant provides justification that it will cost the organization \$15,000 in salaries and fringe benefits, materials and supplies to manage the grant
 - Expenses associated with the \$15,000 are:
 - The procurement specialists time to procure the equipment
 - Members of the IT department time to program the radios
 - The agency would like to recover the 10% de minimis rate or \$1,500 in indirect costs.
 - Here is what the Reimbursement Request Form would now look like:
 - The agency will receive a RRF which has three line items:
 - One for the tower (\$60,000)
 - One for the radios (\$10,000)
 - One for Indirect costs (not to exceed \$1,500)
 - The line item for indirect costs will not have a dollar amount in the contract budget; however, formulas will be added into the RRF which will not allow for the current period or year-to-date totals to be greater than \$1,500, nor for the budget remaining to be less than \$0
 - AZDOHS will contact and work with stakeholders who have been approved for indirect or M&A costs

Indirect Cost Example Cont.

- **For agencies which do have a federally approved indirect cost rate:**
 - Decide what the direct cost request is going to be
 - Check the indirect cost agreement plan and determine if any of the direct costs are included in the “base” of the indirect rate agreement
 - Indirect costs can only be claimed on direct costs which are included in the “base” of the agreement and included as a direct cost in the application
- **Example:**
 - Stakeholder requesting \$10,000 in training and 5% M&A
 - M&A includes \$500 for direct salaries and benefits
 - Stakeholder has a 20% indirect rate “based” on salaries and benefits for the finance manager to oversee the project
 - Stakeholder would take 20% of the direct salaries and benefits of the finance staff involved in the managing of the grant as indirect costs (or up to \$100)
 - The agency would receive a RRF which has three line items:
 - One for training (\$10,000)
 - One for M&A (not to exceed \$500)
 - One for Indirect costs (not to exceed \$00)
 - The line items for M&A and indirect costs will not have a dollar amount in the contract budget; however, formulas will be added into the RRF which will not allow for the current period or year-to-date totals to be greater than \$500 and \$100 respectfully, nor for the budget remaining to be less than \$0

Federal and State Regulations Regarding Grants Management

- **Federal guidelines to consider:**

- 2 C.F.R. 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- U.S. Department of Homeland Security Authorized Equipment List (AEL)

- **State guidelines to consider:**

- Subrecipient Agreement
- State of Arizona Accounting Manual
- Chapter 23 of the State of Arizona Procurement Code

AZDOHS Responsibilities

The AZDOHS has specific responsibilities governed by grant guidance and OMB circulars. Some of those responsibilities include:

- Obligate funds to stakeholders according to grant guidance
- Advise stakeholders of requirements imposed on them by federal laws, regulations and provisions of grant agreements
- Monitor stakeholders to ensure that funds are used for authorized purposes and that performance goals are achieved
- Ensure that stakeholders comply with audit requirements and issue management decisions when necessary
- Process reimbursements and respond to stakeholder inquiries in a timely fashion
- Work closely with Stakeholders to find solutions to problems

Stakeholder Responsibilities

Stakeholder responsibilities:

- Complying with the Subrecipient Agreement and Code of Federal Regulations
- Completing and submitting an audit to audits@azdohs.gov if expending more than \$750,000 in the most recent fiscal year
- Identifying and accounting for Federal funds separately from all other funds
- Submitting quarterly reports and other required documentation on time
- Submitting for reimbursements by project monthly or quarterly (unless no expenses have been incurred)
- Maintaining equipment and using for the intended purpose

AZDOHS Finance and Administration

- Each agency, depending on its regional location within the State is assigned a fiscal contact at the AZDOHS
 - The fiscal contact processes reimbursements and manages all other fiscal matters for their assigned region
 - Kevin Mancino (Budget Manager) State Agencies, Central, Phoenix UASI, Operation Stonegarden; Santa Cruz, Greenlee, Pinal, Cochise and Graham Counties
Kmancino@azdohs.gov (602-542-1716)
 - Lindsey Forry (Project Specialist)-North, East, West
lforry@azdohs.gov (602-542-1715)
 - Jennifer Guimond (Grants Project Specialist)-South, Operation Stonegarden; Yuma, La Paz and Pima Counties
jguimond@azdohs.gov (602-542-7047)

Reimbursement Request Instructions

- After all award documentation is received by AZDOHS, stakeholders will receive an Excel workbook containing a Reimbursement Request Form along with instructions on how to submit for reimbursement
- Following the instructions will help to ensure that payments are made expeditiously

Some highlights on Reimbursements:

- Reimbursements must include two signatures on reimbursement requests:
 - Preparer
 - Authorized official
- ***Only expend funds on goods and services which were authorized under the award letter and Subrecipient Agreement (and are within the period of performance)***
- Reimbursements must be mailed to the AZDOHS and **not** emailed or faxed

Reimbursement Request Instructions Continued

- Submit requests for only one project within a reimbursement package
- Submit copies of invoices and proof of payment
- Submit Time and Effort reports for M&A and personnel expenses
- Submit payroll record documentation
- Submit monthly or quarterly (only if expenses have been incurred)
- Categorize reimbursement packets into the order in which budget categories/line items appear on the Reimbursement Request Form
- All required documentation (including supporting documentation, Quarterly Programmatic Reports and A-133 audits) must be current in order to be eligible for reimbursement

Reimbursement Request Instructions Continued

- Make necessary adjustments for meal and incidental and lodging expenditures
- Always use either your agencies or the State of Arizona rates, whichever are more restrictive
 - State rates can be found at: <https://gao.az.gov/publications/saam>
 - Conference (host hotel) lodging rates may be higher than State rates. The AZDOHS will honor higher rates in these instances given supporting documentation exists
- Reimbursements which use lodging (unless for conferences or other prior approved instances) or meal and incidental rates that are higher than the State rates will be returned for necessary adjustments
- For training and exercise expenditures, provide an agenda, duration, location and number of participants
- Fill in the “Reporting Period From” and “Reporting Period To” dates
 - “Reporting Period To” date cannot be a date past the date of submission
 - Our financial management system will not allow for a date which is greater than the date we are entering the reimbursement into it
 - For example: If the “Reporting Period To” is 12/31/16 but the reimbursement is received on 12/25/16, then our system will not allow for the reimbursement to be entered. We will require a revised form

Arizona Department of Homeland Security

FFY 2015 Homeland Security Grant Program (UASI)
Reimbursement Request Form

Make sure to enter reporting period dates

Subgrantee Name and Address

Name McFly Fire Department

Address 100 Main Street

City McFly Zip 12345-1234

Contact Person Marty McFly

Telephone 888-888-8888

E-Mail mmcfly@aol.com

Contract Number

150806-02

Reporting Period From: 10/1/2015

Reporting Period To: 10/31/2015

Funds Begin 10/1/2015 Funds End 9/30/2016

Major Budget Category / Line Item Detail	Contract Budget	Current Period	Year to Date	Budget Remaining
01LE-01-HLMT - Ballistic Helmets (Quantity: 10 @ \$450.00)	\$4,500.00	\$1,000.00	\$1,000.00	\$3,500.00
03OE-07-ROBT - Medium size tactical robot (Quantity: 1 @ \$28,700.00)	\$28,700.00			\$28,700.00
06CP-03-PRAC - Radio Communication Headsets for SWAT officers (Quantity: 1 @ \$16,800.00)	\$16,800.00			\$16,800.00
Total Costs	\$50,000.00	\$1,000.00	\$1,000.00	\$49,000.00

Arrange packet in order items appear on this form

Carry Current Period amounts into the Year to Date column. Budget Remaining will automatically calculate.

Contractor Certification: I certify that this report has been examined by me, and to the best of my knowledge and belief, the reported expenditures are valid, based upon our office accounting records (books of account) and are consistent with the terms of Arizona Department of Homeland Security based upon contract terms.

Preparer's Signature

Name/Title

Phone Number

Stakeholder Authorizing Signature

Name/Title

Phone Number

Reimbursement Request Process

AZDOHS receives and logs reimbursement request

Critical Infrastructure Coordinator reviews receipts to ensure proper AEL compliance

Planner reviews and ensures request is within the scope of approved budget

Finance reviews and enters request into system

Request is submitted to accounting for federal drawdown via wire transfer (2x/month)

Funds are received by the General Accounting Office and warrants are produced*

*If stakeholder is set-up for electronic payments, the payment will be deposited, otherwise warrants will be mailed

To receive payments electronically visit: <https://gao.az.gov/afis/vendor-information>

Budget Management

The AZDOHS allows for certain budget modifications (OPERATION STONEGARDEN (OPSG) OVERTIME AND MILEAGE AWARDS EXCLUDED):

- Stakeholders may expend funds by up to 10% or \$25,000 (whichever is less) in excess of the total award amount in an approved budget category(s) (POETE) without a modification request as long as the agency under expends another budgeted category(s) by a corresponding and equal amount (examples are included)
- When the aggregate changes exceed 10% or \$25,000 of the total award amount, or changes the scope of the project, prior approval is required
- This 10% and \$25,000 rule applies to all SHSGP awards, UASI awards and OPSG equipment awards, regardless of the award amount
- Modifications are not a guarantee
- Management and Administration (M&A) and indirect expenditures do not qualify
 - ***Stakeholders may not exceed the amount awarded for M&A or indirect costs***

Budget Management Continued

- Equipment items, which are not included in the original budget, or are in excess in number of the awarded amount will be denied (A modification must be completed and approved by the RAC, UASI working group, OPSG working group, etc.)
- Once the scope of work has been completed, any funds remaining must be returned to the AZDOHS for re-allocation

Examples of Budget Modifications:

Budget Category/Line item detail

	Budget	Expended	Remaining
Equipment/11XX-01-INGH	\$100,000	\$118,000	(\$18,000)
Equipment/12XX-03-SHNG	\$45,000	\$50,000	(\$5,000)
Equipment/43LJ-08-LLHG	\$75,000	\$82,000	(\$7,000)
Planning/Planning	\$30,000	\$2,000	\$28,000
M&A/M&A	<u>\$7,500</u>	<u>\$4,000</u>	<u>\$3,500</u>
Total	\$257,500	\$256,000	\$1,500

Total budget \$257,500...10%=\$25,750. In this instance the total overage in equipment is \$30,000 which is equivalent to 11.6% (and more than \$25,000) of the total award and thus, a budget modification ***WILL BE NECESSARY***.

Examples Continued:

Budget Category/Line item detail

	Budget	Expended	Remaining
Equipment/11XX-01-INGH	\$100,000	\$110,000	(\$10,000)
Equipment/12XX-03-SHNG	\$45,000	\$50,000	(\$5,000)
Equipment/43LJ-08-LLHG	\$75,000	\$82,000	(\$7,000)
Planning/Planning	\$30,000	\$5,000	\$25,000
M&A/M&A	<u>\$7,500</u>	<u>\$4,000</u>	<u>\$3,500</u>
Total	\$257,500	\$251,000	\$6,500

Total budget \$257,500...10%=\$25,750. In this instance the total overage in equipment is \$22,000 which is equivalent to 8% and less than \$25,000 of the total award and thus, a budget modification ***IS NOT NECESSARY***.

M&A Activities

- Stakeholders are allowed to retain 5% of their award for M&A purposes (must be included in application)
- M&A charges are not in addition to the approved budget (POETE costs).
 - For example, if the stakeholder is awarded \$100,000 for equipment and training and would like to retain 5% for M&A (\$5,000), then the agency will receive a grant in the amount of \$100,000 and not \$105,000
 - The Reimbursement Request Form will have a line item for M&A with a budget of \$0. It will be formatted in such a way that allows that stakeholder to charge up to but no more than \$5,000 in that line item.
 - Therefore, the stakeholder is responsible to cover the remainder of costs of the equipment and training
- **Allowable M&A Activities:**
 - Hiring of full-or part-time staff or contractors/consultants to assist with the grant management requirements (must show an increase in employment and cannot supplant costs that have already been budgeted for such positions).
 - Overtime costs
 - Authorized office equipment/supplies
 - Travel
 - Meeting related expenses
 - Recurring expenses such as those associated with cell phones and faxes during the period of performance of the grant program
 - Leasing or renting space for personnel during the period of performance of the grant program

Allowable Planning Activities

- **Allowable Planning Activities:**
 - Hiring of full-or part-time staff or contract/consultants to assist with planning activities (not for the purpose of hiring public safety personnel fulfilling traditional public safety duties)
 - Developing hazard/threat-specific annexes that incorporate the range of prevention, protection, response, and recovery activities
 - Developing and implementing homeland security support programs and adopting ongoing DHS national initiatives
 - Developing related terrorism prevention activities
 - Developing and enhancing plans and protocols
 - Developing or conducting assessments
 - Conferences to facilitate planning activities
 - Materials required to conduct planning activities
 - Travel/per diem related to planning activities
 - Overtime and backfill costs (in accordance with Operational Cost Guidance)
 - Other project areas with prior approval from FEMA

Employee Related Expenses

EMPLOYEE RELATED EXPENSES:

Employee Related Expenses (ERE or Fringe Benefits) are allowable with a few limitations:

- Fringe benefits for overtime and backfill are limited to FICA, Workers Compensation and Unemployment Compensation
- Fixed ERE costs that the agency is already paying (health care, dental care, Insurance, etc.) are not allowable costs for overtime and backfill
 - Only costs which incrementally increase are allowable

M&A and Planning Restrictions

Planning and M&A Restrictions:

- Costs must be identified and approved in your grant application
- All expenditures must be reasonable, as deemed by AZDOHS
- Pre-award costs are not allowable

M&A Specific:

- Activities must be directly related to the M&A of the grant, not the project the grant supports:
 - Programming radios purchased with grant funds is not an M&A reimbursable cost but the cost of processing the reimbursement request for the radios purchased is
- The AZDOHS requires Time and Effort (T&E) reports from stakeholders that charge personnel (other than overtime and backfill expenditures) to projects
- A standard T&E report must be submitted, which is available on our website

Sample T/E Report

SAMPLE WEEKLY TIME AND EFFORT REPORT

Pay Period:

1/1/2015-1/14/2015

Employee Name: Mike Smith

	Proj. No. (M&A, Planning or Organizational) or other activity	S	S	M	T	W	T	F	Total	S	S	M	T	W	T	F	Total	Grand Total		
1	140001-01 M&A			2	3			5	10					1.5	2		3.5	13.5		
2	140003-01 Planning								0								0	0		
3	130010-01 Organizational								0								0	0		
4	130010-02 M&A			2	3	4		3	12					3.5	1		4.5	16.5		
5	140003-01 Planning								0								0	0		
7	General fund			4	2	4			10				8		5		13	23		
8	COPS grant								0					3			3	3		
9	Vacation								0							8	8	8		
10	Sick Time						8		8								0	8		
11	Holiday								0			8					8	8		
12									0								0	0		
13									0								0	0		
14									0								0	0		
15									0								0	0		
Daily Totals		0	0	8	8	8	8	8	40	0	0	8	8	8	8	8	40	80		
Week One Total									40	Week Two Total									40	80

I hereby certify that the above allocation of my time is accurate for the time period in which this report covers

I hereby certify that to the best of my knowledge and belief, the reported time allocation entered in this report is accurate and adheres to grant guidance.

Employee Signature:

Date:

Supervisor Approval

Date

Questions?

Please submit to faq2016@azdohs.gov

**We will compile frequently asked
questions and post answers on the
AZDOHS website**